



US DEPARTMENT OF VETERANS AFFAIRS OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

**OFFICE OF ACQUISITION, LOGISTICS,
AND CONSTRUCTION**

A Summary of Preaward Reviews and Examinations of VA Federal Supply Schedule Pharmaceutical Proposals Issued in Fiscal Year 2022

Review

23-00750-181

September 19, 2023

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Executive Summary

The VA Office of Inspector General (OIG) examines pharmaceutical proposals submitted to the VA National Acquisition Center for Federal Supply Schedule (FSS) contracts.¹ Specifically, the OIG examines pharmaceutical proposals for FSS contracts that have an anticipated annual value of \$5 million or more. These preaward examinations help VA contracting officers negotiate fair and reasonable prices for the government. The examinations are not published because they contain sensitive commercial information that is protected from release under federal law.²

To promote transparency, however, this report summarizes nine preaward reviews and five preaward examinations the OIG team conducted in fiscal year (FY) 2022 for pharmaceutical proposals.³ The 14 proposals had a cumulative estimated contract value of approximately \$11.2 billion and included a total of 808 National Drug Code offered items.⁴ Contract negotiations for all 14 pharmaceutical proposals were completed as of March 2, 2023.

This report presents an overview of the three types of OIG actions taken related to these reviews and examinations:

- **Provided an opinion as to whether the proposal and commercial disclosures were accurate, complete, and current.** The OIG team’s preaward reviews and examinations found that commercial disclosures were accurate, complete, and current for four of 14 proposals (29 percent). This means four proposals were reliable for determining negotiation objectives and, ultimately, fair, and reasonable pricing. The remaining 10 proposals could not be reliably used by VA for negotiations until noted deficiencies were corrected. Common reasons for deficiencies were errors in disclosed most-favored-customer prices and partial disclosure of discounts better than offered.

¹ The VA FSS Service supports the healthcare acquisition needs of VA and other federal government agencies.

² 18 U.S.C. § 1905. Trade Secrets Act, 41 U.S.C. § 423(a), Restrictions on Disclosing Source Selection Information, and the implementing regulation at 38 C.F.R. § 1.558(c). The OIG’s contract review reports are marked “For Official Use Only” and are not disclosed outside the government, except through procedures established in the Freedom of Information Act. Exemption 4 of the act exempts company trade secrets and confidential commercial or financial information from mandatory disclosure to the public.

³ Effective December 15, 2021, the OIG adopted examination-level standards from the following sources: (1) Generally Accepted Government Auditing Standards: Chapter 7, “Standards for Attestation Engagements and Reviews of Financial Statements,” paragraphs 7.01–7.69 and (2) American Institute of Certified Public Accountants (AICPA): AT-C Section 205, “Examination Engagements” and AT-C Section 105, “Concepts Common to All Attestation Engagements.” Work performed to address the stated objectives did not change significantly; however, procedures were added to those for prior reviews to efficiently document and demonstrate the team met the government auditing/AICPA standards. For more information about the scope and methodology of the reviews and examinations, please see appendix A.

⁴ The US Food and Drug Administration assigns a unique National Drug Code for all package sizes, drug strengths, and volume, even if it is the same drug. In some instances, the 808 offered items contained more than one National Drug Code for the same product.

- **Made recommendations for pricing based on the vendor’s commercial selling practices.** The OIG recommended seeking lower prices than offered for 10 of 14 proposals (71 percent). The OIG’s lower-pricing recommendations resulted in the VA National Acquisition Center awarding contracts or modifications with sustained cost savings of approximately \$6.5 million of the OIG’s recommended \$2 billion (less than 1 percent) during the life of the contracts. In one instance, the OIG recommended most-favored-customer prices because the government ranked above the most-favored customer in annual sales volume, having purchased more units per sampled item during the scope of the review.⁵ Although the contracting officer rejected the OIG recommendation, as permitted, the vendor agreed to continue the temporary price reduction from its current FSS contract.
- **Evaluated and suggested alternative tracking customers.** Tracking customers, either individually or as a category, serve as a benchmark for potential price reductions during the life of the contract.⁶ If tracking customers receive a price reduction, the government’s price should also be reduced. For 29 of the 78 sampled items (37 percent), the OIG team determined proposed tracking customers were not suitable. A proposed tracking customer may not be suitable if the customer does not have similar buying patterns to those of the FSS or does not have adequate coverage of the offered items. The OIG recommended tracking customers that were generally among the vendor’s largest commercial customers or most-favored customers for the 29 items.

This report details the number of proposals the OIG team reviewed or examined that were accurate, complete, or current and provides summary information about pricing recommendations made to VA. It does not propose any additional recommendations that necessitate any VA action. The director of the FSS Service and the acting associate executive

⁵ The VA National Acquisition Center did not sustain any of the OIG’s estimated \$1.9 billion in cost savings for one proposal because the VA contracting officer agreed with the vendor’s assertion that the FSS did not meet the volume-purchasing performance conditions required to obtain recommended pricing. The contracting officer has the discretion to reject a recommendation. Appendix B provides more information on the monetary impact of the OIG’s preaward reviews and examinations.

⁶ General Services Administration (GSA), “Price Reductions,” 552.238-81 in *General Services Acquisition Manual*, July 26, 2021. The manual requires the government and the vendor to agree on a customer or category of customers as the basis of the award. FSS pricing is tracked against this customer’s (or category of customers’) pricing for the duration of the contract.

director of the National Acquisition Center concurred with the draft report and provided no comments. Appendix C provides the full text of the directors' response.



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Contents

Executive Summary	i
Introduction.....	1
A Summary of FY 2022 Pharmaceutical Preaward Reviews and Examinations	4
Appendix A: Scope and Methodology.....	10
Appendix B: Estimated and Sustained Cost Savings for Reviews and Examinations Conducted in Fiscal Year 2022.....	11
Appendix C: VA Management Comments	12
OIG Contact and Staff Acknowledgments	13
Report Distribution	14

Abbreviations

AICPA	American Institute of Certified Public Accountants
FAR	Federal Acquisition Regulation
FSS	Federal Supply Schedule
FY	fiscal year
GSA	General Services Administration
OIG	Office of Inspector General



Introduction

VA has delegated authority to award Federal Supply Schedule (FSS) contracts, so all federal customers have access to products with costs that have been negotiated using the collective buying power of the government. The VA Office of Inspector General (OIG) conducts preaward reviews to assist VA contracting officers with establishing and maintaining fair and reasonable prices on the FSS contracts they award. At the request of contracting professionals, the OIG examines pharmaceutical proposals for FSS contracts that have an anticipated annual value of \$5 million or more.⁷ These proposals are examined by the OIG before the VA National Acquisition Center makes contract awards. VA guidelines require preaward examinations to facilitate informed decision-making and help prevent waste of VA funds.⁸

Preaward reviews and examinations are not published because they contain sensitive commercial pricing information and data protected from release under federal law.⁹ However, to promote transparency, this report provides a summary of the 14 preaward reviews and examinations of pharmaceutical proposals the OIG team conducted during fiscal year (FY) 2022.

Purpose of Preaward Examinations

The findings and recommendations in OIG preaward examinations are intended to serve as a resource for the VA contracting officers in negotiating fair and reasonable pricing with vendors.¹⁰ The OIG conducts preaward examinations to validate the commercial sales practice disclosures required in the vendor's FSS proposal, to identify any prices lower than those offered to the government for products or services, and to propose alternative tracking customers when warranted as the basis for pricing. The VA contracting officer is responsible for negotiating the actual prices with the vendor and ultimately determining whether offered prices are fair and reasonable.

One of the primary acquisition programs for which the OIG provides preaward and other contract review services is VA's FSS program. The FSS program provides the government with

⁷ The VA FSS Service supports the healthcare requirements of VA and other federal government agencies by providing federal customers with access to commercial products and services.

⁸ VA National Acquisition Center, Procedural Guideline 22, "OIG Contract Review Procedures," June 16, 2015.

⁹ 18 U.S.C. § 1905. Trade Secrets Act, 41 U.S.C. § 423(a), Restrictions on Disclosing Source Selection Information, and the implementing regulation at 38 C.F.R. § 1.558(c). The OIG's contract review reports are marked "For Official Use Only" and are not disclosed outside the government, except through procedures established in the Freedom of Information Act. Exemption 4 of the act exempts company trade secrets and confidential commercial or financial information from mandatory disclosure to the public.

¹⁰ VA National Acquisition Center, Procedural Guideline 22, "OIG Contract Review Procedures," June 16, 2015; Federal Acquisition Regulations (FAR) 2.101 (2023). The FAR defines a contracting officer as "a person with the authority to enter into, administer, and/or terminate contracts and make related determinations and findings.... A single contracting officer may be responsible for duties in any or all of these areas."

a simplified process for acquiring commercial supplies and services in varying quantities while obtaining volume discounts.¹¹ The purpose of this report is to provide a summary of the findings and recommendations made to VA contracting officers for the OIG team’s 14 preaward reviews and examinations of FSS pharmaceutical proposals in FY 2022.

VA Federal Supply Schedule Program

The General Services Administration (GSA) has delegated authority to VA to award and administer nine FSS schedules to support the healthcare acquisition needs of VA and other government agencies.¹² Federal agencies purchased about \$17.8 billion in products and services through these nine schedules during FY 2022. One of the nine schedules is Schedule 65 I B—*Drugs, Pharmaceuticals, & Hematology Related Products*. In FY 2022, 81 percent of government spending on this schedule was through VA’s FSS program.

The goal of VA’s FSS program is to leverage the entire federal government’s purchasing power to drive volume-based discounts that provide healthcare solutions at fair and reasonable prices to all authorized FSS users.¹³ FSS award schedules are indefinite delivery/indefinite quantity contracts awarded to vendors using full and open competition.¹⁴ The FSS program negotiates firm, fixed pricing based on a commercial most-favored-customer pricing concept.¹⁵

Because of the magnitude of spending through the VA FSS program, GSA and VA have established regulations, policies, and procedures to help ensure the government receives the best prices for pharmaceutical and other medical supplies and that FSS vendors are following all the terms and conditions of their contracts. This included VA establishing a robust preaward and postaward contract review program.

Additionally, VA established written guidelines that set forth criteria and procedures for requesting an OIG review of proposals and contracts submitted under or related to contracts or

¹¹ 41 U.S.C. § 152(3); FAR 8.402(a) (2021).

¹² FAR 8.402(a); “VA Schedule Programs” (web page), VA Office of Procurement, Acquisition and Logistics, accessed June 29, 2021, <https://www.va.gov/opal/nac/fss/schedules.asp>.

¹³ FAR 38.101(a) (2021); FAR 8.402(a); FAR 8.404(d) (2021).

¹⁴ FAR 6-102(3) (2023); FAR 2.101. According to federal regulation, “Full and open competition, when used with respect to a contract action, means that all responsible sources are permitted to compete.” The VA Acquisition Manual explains that indefinite delivery/indefinite quantity contracts fulfill recurring needs when the government cannot predetermine the precise times or quantities of supplies or services that will be required during the contract performance period. VA Manual Appendix M816A, “Indefinite-Delivery Indefinite-Quantity (IDIQ) Guide,” introduction and background, January 2019.

¹⁵ “Schedules” (web page), VA FSS Service, accessed January 4, 2022, <https://www.fss.va.gov/>; VA FSS Solicitation No.M5-Q50A-03-R8, attachment 02, “Vendor Response Document,” “COMMERCIAL SALES PRACTICE FORMAT.” The Vendor Response Document defines the most-favored customer as the commercial customer who receives the best upfront (guaranteed) discount. This is not inclusive of conditional discounts, such as prompt payment discounts or annual rebates based on reaching a threshold.

solicitations issued by the VA National Acquisition Center.¹⁶ The written guidelines require contracting officers to submit all FSS pharmaceutical proposals with an estimated annual contract value equal to or greater than \$5 million to the OIG for a preaward review.

¹⁶ VA National Acquisition Center, Procedural Guideline 22, “OIG Contract Review Procedures.”

A Summary of FY 2022 Pharmaceutical Preaward Reviews and Examinations

OIG preaward reviews are meant to assist VA contracting officers with establishing and maintaining fair and reasonable prices on the FSS contracts they award. The 14 proposals submitted for review or examination during FY 2022 had a 10-year estimated contract value of approximately \$11.2 billion and included 808 offered National Drug Code items.¹⁷

What the OIG Did

Of the 14 preaward reviews and examinations of FSS pharmaceutical proposals the OIG team conducted during FY 2022, nine reviews were conducted under review standards and five were examination-level standards.¹⁸ The team had three primary objectives when reviewing or examining the 14 FSS proposals:

1. Provide an opinion as to whether the commercial sales practice disclosures in the proposals are accurate, complete, and current.
2. Evaluate offered prices and rebates and provide pricing recommendations.
3. Determine if the proposed tracking customers were suitable for price reductions clause purposes and suggest alternatives as warranted.¹⁹

To provide an opinion on the commercial sales practice disclosures and evaluate offered pricing, the OIG team sampled 78 of the 808 offered items among the 14 proposals, which represented approximately \$8.7 billion (77 percent) of the \$11.2 billion cumulative 10-year estimated contract value.²⁰ In addition, the team analyzed proposed tracking customers for the sample items to determine if the customers were suitable for purposes of the GSA price reductions clause. The sections that follow detail the team's results for each of the three primary preaward

¹⁷ The US Food and Drug Administration assigns a unique National Drug Code for all package sizes, drug strengths, and volume, even if it is the same drug. In some instances, the 808 offered items contained more than one National Drug Code for the same product.

¹⁸ Effective December 15, 2021, the OIG adopted examination-level standards from the following sources: (1) Generally Accepted Government Auditing Standards: Chapter 7, "Standards for Attestation Engagements and Reviews of Financial Statements," paragraphs 7.01–7.69 and (2) American Institute of Certified Public Accountants (AICPA): AT-C Section 205, "Examination Engagements" and AT-C Section 105, "Concepts Common to All Attestation Engagements." Work performed to address stated objectives did not change significantly; however, procedures were added to efficiently document and demonstrate the team met the government auditing/AICPA standards.

¹⁹ FSS contract clause FAR 552.238-81 (2019), "Price Reductions." The objective of the price reductions clause is to maintain fair and reasonable pricing after the contract has been awarded.

²⁰ The OIG preaward reviews and examinations are generally limited to offered items that represent at least 75 percent of past government sales.

objectives for the 14 issued pharmaceutical preaward reviews and examinations for FY 2022. Appendix A provides more information on the team's scope and methodology.

Opinion of Commercial Sales Practice Disclosures

The OIG team's preaward reviews found commercial sales practice disclosures to be accurate, complete, and current for four of the 14 proposals. This means that these four proposals were reliable for determining negotiation objectives and ultimately fair and reasonable pricing using the commercial pricing information in the disclosures. The remaining 10 proposals (71 percent) did not meet these criteria and could not reliably be used by VA for negotiations until the noted deficiencies were corrected.

Government contracts generally require competition among vendors to ensure awarded prices are fair and reasonable. Under the FSS program, vendors disclose their commercial prices and terms and conditions in the commercial sales practice form in their FSS proposals. Commercial sales practice disclosures must be accurate, complete, and current so that VA contracting officers can use this information to evaluate proposed prices, set negotiation objectives, and determine whether offered prices are fair and reasonable.

The commercial sales practice section of the FSS pharmaceutical solicitation and product addition modifications include instructions on what the vendor should disclose to the government.²¹ The instructions state that if the vendor is proposing prices better than or equal to the most-favored-customer prices, those customers and prices must be disclosed. If that is not the case, the vendor is required to disclose all commercial prices equal to or better than those prices offered to the government and to disclose all customers or categories of customers who are receiving those prices.

Additionally, the vendor is required to provide information about how customers may qualify for prices or discounts lower than those offered to the government. Any deviations from commercial sales practice disclosures or exceptions to disclosed standard practices must be explained. For vendors who are dealers or resellers without significant commercial sales, manufacturers of the offered items must provide commercial sales practices disclosures in accordance with the solicitation instructions. Table 1 lists the findings for the 10 proposals with commercial sales practices that were not accurate, complete, or current and the number of occurrences.

²¹ VA FSS Solicitation No. M5-Q50A-03-R8 (February 1998).

Table 1. Commercial Sales Practice Findings

Commercial sales practice findings	Occurrences among the 10 proposals
Expired disclosed most-favored-customer prices	5
Incorrect most-favored-customer prices and/or discounts disclosed	2
All rebates not disclosed	2
All most-favored-customer discounts not disclosed	1
Rebates to pharmacy benefit managers not disclosed	1

Source: VA OIG analysis of commercial sales practice disclosures.

Note: Some proposals had more than one deficiency, so the numbers do not sum to 10.

Of these 10 proposals, vendors generally did not follow solicitation or modification instructions regarding most-favored-customer disclosures or pricing; therefore, the contracting officer could not rely on the commercial sales practices to make fair and reasonable price determinations to award FSS contracts.

Evaluation of Offered Prices and Related Recommendations

Among the 14 proposals reviewed or examined, three (21 percent) offered pricing lower than or equal to most-favored-customer pricing. For these proposals, the OIG recommended VA contracting officers accept the offered pricing. Table 2 summarizes the reasons vendors chose not to offer most-favored-customer pricing for the remaining 11 proposals (79 percent).

Table 2. Rationale for Not Offering Most-Favored-Customer Pricing

Rationale	Occurrences among the 11 proposals
Government does not provide required preferred formulary positioning or brand*	6
Government does not meet volume incentives for commercial rebates	3
Most-favored-customer prices are restricted to a specific customer type	1
Commercial contracts have commitments with which the FSS cannot agree	1

Source: VA OIG analysis of offered prices.

** A formulary is a list of prescription drugs that doctors use to identify drugs that provide the best value. Preferred formulary placement is a marketing strategy that promotes the sale of one product over another.*

If the government is not offered the most-favored-customer price (in other words, the lowest commercial price), the OIG considers commercial prices lower than the offered FSS price for price recommendation purposes. This determination may result in cost savings, which is the potential dollar effect of implementing a price recommendation that would reduce the cost of pharmaceuticals and make these funds available for other uses. Specifically, the OIG's estimated cost savings are calculated as the difference between vendor-offered prices and OIG-recommended prices, multiplied by historical order volume and extrapolated over a 10-year contract period for new contracts or the potential remaining contract period for a product addition modification under Schedule 65 I B.

The OIG recommended seeking lower-than-offered prices for nine of the remaining 11 proposals. Of the nine proposals, the OIG team identified one vendor offering commercial customers rebates that the government could qualify to earn by meeting volume-purchasing requirements. The vendor did not offer the rebates to the FSS; however, price recommendations for the proposal included the effect of the rebates because the OIG determined the government met volume purchase requirements based on historical sales. Overall, the OIG's lower-pricing recommendations resulted in the VA National Acquisition Center awarding contracts with sustained cost savings of approximately \$6.5 million of the OIG's recommended \$2 billion (less than 1 percent) during the life of the contracts.

Of note, the OIG's recommended \$2 billion cost savings included an estimated \$1.9 billion in cost savings for one proposal. The VA National Acquisition Center did not sustain any of the OIG's estimated \$1.9 billion in cost savings because the VA contracting officer agreed with the vendor's assertion that the FSS did not meet the volume-purchasing performance conditions required to obtain recommended pricing. However, the vendor agreed to continue the temporary price reduction from its current FSS contract. Much of the OIG team's estimated cost savings amount was based on the difference between the vendor's offered prices and most-favored-customer prices for sampled items. The OIG recommended most-favored-customer prices because the government ranked above the most-favored-customer in annual sales volume, having purchased more units per sampled item during the scope of the review.

GSA states that the government will seek to obtain the vendor's best price given to the most-favored customer and that the government recognizes that the terms and conditions of commercial sales vary and there may be legitimate reasons why the best price is not achieved.²² GSA also states that when establishing negotiation objectives and determining price reasonableness, the contracting officer must compare the terms and conditions of the FSS solicitation with the terms and conditions of agreements with the vendor's commercial

²² GSA, "Evaluation of offers without access to transactional data," 538.270-1(c) in *General Services Acquisition Manual*, May 5, 2023.

customers. When determining the government’s price negotiation objectives, the aggregate volume of anticipated purchases, among other factors, must be considered.²³

Appendix B provides more information on the monetary impact of the OIG’s preaward reviews and examinations.

Evaluation of Proposed Tracking Customers

Awarded FSS contracts under Schedule 65 I B are for a period of up to 10 years, consisting of a five-year base period and five one-year option periods. The GSA price reductions clause mandates lowering the FSS contract price based on price reductions to the negotiated tracking customer.²⁴ FSS contracts require vendors to report price reductions they provide to the tracking customer during the contract period. This contract clause requires the government and the vendor to agree on a customer or category of customers, known as a tracking customer, to serve as a benchmark against which the government’s price or discount can be linked for the purposes of potential price reductions during the life of the contract. The objective of the price reductions clause is to maintain fair and reasonable pricing after the contract has been awarded.

A proposed tracking customer may not be suitable for purposes of the price reductions clause if the customer does not have similar buying patterns to those of the FSS or does not have adequate coverage of the offered items. The OIG team determined that proposed tracking customers for 29 of 78 sampled items were not suitable. Table 3 summarizes the reasons the OIG did not recommend proposed tracking customers for the 29 sampled items.

Table 3. Rationale for Not Recommending Proposed Tracking Customers

Rationale	Occurrences among the 29 sampled items
Wholesaler or distributor customer type*	13
Did not rank among vendors’ largest commercial customers	8
Lower sales volume than the FSS	6
Did not provide contract item coverage	2

Source: VA OIG analysis of proposed tracking customers.

** Typically, in the OIG’s opinion, wholesalers are not acceptable tracking customers because they pay wholesale acquisition prices or receive minimal discounts for offered items. Therefore, wholesalers’ prices would most likely increase, not decrease, during the prospective FSS contract period.*

²³ GSA, “Evaluation of offers without access to transactional data,” 538.270-1(e) in *General Services Acquisition Manual*, May 5, 2023.

²⁴ GSA, “Price Reductions,” 552.238-81 in *General Services Acquisition Manual*, May 5, 2023.

For the 29 sampled items, the OIG recommended tracking customers that were generally among the vendor's largest commercial customers or most-favored customers. Commercial customers that generate a large sales volume and are a vendor's most-favored customers generally maintain competitive low prices. The VA National Acquisition Center was able to sustain the OIG's recommended tracking customers for one of the 29 items (3 percent) during negotiations. Selecting a tracking customer for price reduction clause purposes involves various factors that can be weighted and analyzed differently. Although there is no authoritative guidance for selecting a tracking customer, the OIG recommends tracking customers that will provide contract item coverage and that, in the OIG's opinion, should provide long-term price protection for the government. However, the VA contracting officer may decide different tracking customers provide adequate price reduction protection than those recommended by the OIG.

Conclusion

The federal government spends billions of dollars annually on pharmaceutical items through VA's FSS program. The OIG's findings and recommendations in preaward reviews and examinations conducted in FY 2022 helped VA contracting officers reduce the cost of pharmaceutical items, which will save taxpayers about \$6.5 million over the 10-year life of awarded contracts.

This report provides summary information about prior recommendations on the 14 proposals made to VA; the OIG does not propose any additional recommendations in this report that require VA action.

VA Management Comments

The director of the FSS Service and the acting associate executive director of the National Acquisition Center were provided a copy of the draft report and had no comments. Appendix C provides the full text of the VA response.

Appendix A: Scope and Methodology

Scope

The VA Office of Inspector General (OIG) team conducted its work from December 2022 through July 2023. It summarized the information in prior nonpublic OIG preaward review and examination reports provided to VA and presented subsequent contract award data. The team assessed relevant sources of information, including contracts obtained from VA's electronic contract management system and applicable fiscal year (FY) 2022 Federal Supply Schedule (FSS) pharmaceutical preaward reports.

Methodology

The team searched VA's electronic contract management system for the solicitations or modifications with an OIG-prepared preaward review or examination report and obtained the resulting contract or modification. The team then summarized the data from the reports and resulting contracts or modifications for presentation in this publication.

Fraud Assessment

The team assessed the risk of fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements significant to the objectives during the review or examination periods. The team exercised due diligence in staying alert to fraud indicators. The OIG did not identify any instances of fraud or potential fraud during the period of the reviews and examinations summarized in this publication.

Data Reliability

The team did not obtain or rely on computer-processed data. The team also did not perform detailed fieldwork to verify the information in the review or examination reports and resulting contracts because verification was not the purpose of this OIG report.

Government Standards

The OIG conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

Appendix B: Estimated and Sustained Cost Savings for Reviews and Examinations Conducted in Fiscal Year 2022

The VA Office of Inspector General (OIG)’s estimated cost savings is the difference between vendor-offered prices and OIG-recommended prices, multiplied by historical order volume and extrapolated over a 10-year contract period for new contracts under Schedule 65 I B – *Drugs, Pharmaceuticals, & Hematology Related Products*. VA’s *sustained* cost savings is the estimated cost savings based on the final prices awarded by the VA contracting officer. Overall, VA was able to sustain about \$6.5 million of total estimated cost savings flowing from preaward reviews and examinations conducted in fiscal year (FY) 2022 with lower-than-offered-price recommendations for contracts awarded as of March 2, 2023. The percentage of sustained cost savings in table B.1 reflects the proportion of OIG-recommended cost savings that contracting officers were able to sustain for all reviewed and examined proposals.

Table B.1. Cost Savings Data for VA Proposals Reviewed and Examined

Report number	Date issued	OIG’s estimated cost savings (\$)	VA’s sustained cost savings (\$)	Percentage of sustained cost savings	Date awarded
1	10/26/2021	1,910,683,875	0	0.0%	8/25/2022
2	12/2/2021	0	0	N/A	3/10/2022
3	12/10/2021	33,677,829	180,441	0.5%	4/27/2022
4	12/15/2021	58,750,774	175,616	0.3%	1/12/2022
5	2/2/2022	5,540,615	5,540,615	100.0%	4/20/2022
6	2/18/2022	61,475	61,475	100.0%	7/22/2022
7	3/10/2022	847,449	0	0.0%	6/24/2022
8	4/26/2022	0	0	N/A	8/18/2022
9	4/29/2022	2,599,466	434,477	16.7%	9/16/2022
10	6/29/2022	0	0	N/A	6/23/2022
11	7/14/2022	72,180	27,928	38.7%	3/2/2023
12	7/28/2022	0	0	N/A	9/9/2022
13	9/21/2022	0	0	N/A	2/10/2023
14	9/23/2022	7,999,905	63,724	0.8%	11/25/2022
Total		2,020,233,568	6,484,276		

Source: OIG reports and VA National Acquisition Center contract files.

Note: Numbers in table may not sum due to rounding. Reports 10–14 were issued under examination-level standards. N/A indicates the OIG recommended VA accept offered prices but cost savings did not apply.

Appendix C: VA Management Comments

Department of Veterans Affairs Memorandum

Date: August 15, 2023

From: Director, Federal Supply Schedules Service (FSS)

Thru: Acting Associate Executive Director, National Acquisition Center

Subj: Draft Report, A Summary of Pre-award Reviews of VA Federal Supply Schedule Pharmaceutical Proposals Issued in Fiscal Year 2022

To: Director, Healthcare Resources Division, Office of Audits and Evaluations

1. As this is a summary report of the VA OIG Pharmaceutical Pre-Award Audits and Reviews conducted in 2022, and contains no conclusions or recommendations, VA NAC-FSS has no comments.

The OIG removed point of contact information prior to publication.

(Original signed by)

Daniel H. Shearer

Director, Federal Supply Schedules Service

Mr. Christopher D. Parker

Acting Associate Executive Director, National Acquisition Center

For accessibility, the original format of this appendix has been modified to comply with Section 508 of the Rehabilitation Act of 1973, as amended.

OIG Contact and Staff Acknowledgments

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